



0000129730

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

SEP 15 2011

GARY PIERCE - Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

DOCKETED BY

ne

IN THE MATTER OF THE APPLICATION OF  
BRADSHAW WATER COMPANY, INC. FOR A  
PERMANENT RATE INCREASE.

DOCKET NO. W-02476A-10-0495

DECISION NO. 72584

ORDER

Open Meeting  
September 6 and 7, 2011  
Phoenix, Arizona

**BY THE COMMISSION:**

This case involves a permanent rate case application filed with the Arizona Corporation Commission ("Commission") by Bradshaw Water Company, Inc., a Class D water utility providing service to approximately 173 metered customers near the Town of Prescott Valley in Yavapai County.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

**FINDINGS OF FACT**

**Background**

1. Bradshaw Water Company, Inc. ("Bradshaw") is a for-profit C corporation providing water utility service to approximately 173 metered customers in a service area of approximately 490 acres located near the Town of Prescott Valley in Yavapai County, pursuant to a Certificate of Convenience and Necessity ("CC&N") granted in Decision No. 55018 (May 6, 1986). Bradshaw's current rates and charges were approved in Decision No. 64286 (December 28, 2001) and Decision

1 No. 67824 (May 5, 2005).<sup>1</sup>

2       2. Bradshaw was established in 1985 by Lynx Creek Ranch, Inc., its original owner, to  
3 serve a residential resort development being developed by it. (Decision No. 55018 (May 6, 1986).)  
4 Bradshaw is now owned by Don Bohler, who purchased it in 2002.

5       3. Bradshaw's water system includes three active wells producing a combined 43 gallons  
6 per minute ("GPM");<sup>2</sup> three storage tanks with a combined capacity of 102,500 gallons;  
7 hydropneumatic systems; and a distribution system serving 171 customers through 5/8" x 3/4" meters  
8 and 2 customers through 1" meters. Bradshaw's system is interconnected with, and obtains  
9 approximately 90 to 96 percent of its annual water supply<sup>3</sup> from, the system of the Prescott Valley  
10 Water Company ("PVWC"), which is owned by the Prescott Valley Water District ("District") and  
11 operated by the District Board. The Commission's Utilities Division ("Staff") determined that, with  
12 the purchased water, the available water supply capacity and storage capacity are adequate to serve  
13 Bradshaw's current customer base and reasonable growth.

14       4. During the test year ending December 31, 2009 ("TY"), median monthly water usage  
15 for the 5/8" x 3/4" customers on Bradshaw's system was 4,415 gallons, and average water usage for  
16 those customers was 6,043 gallons. Bradshaw has several customers with consistently high water  
17 usage per month,<sup>4</sup> however, which Bradshaw attributes to extravagant landscaping, horses, and  
18 swimming pools.<sup>5</sup>

19       5. Bradshaw originally provided figures for TY water pumped, purchased, and sold that  
20 reflected water loss of 19.33 percent, greatly exceeding Staff's recommended maximum water loss  
21 standard of 10 percent. Subsequently, Bradshaw provided revised figures for TY water purchased  
22

23 <sup>1</sup> In Decision No. 67824, the Commission approved a reduced tariff rate for 1" meters applicable only to eight  
24 residential lots on Hunter Ridge Road that were required, by the Central Yavapai Fire District, to have home sprinkler  
systems due to insufficient water flows from the nearest fire hydrant.

25 <sup>2</sup> According to Staff, the wells are shallow and have unreliable production.

26 <sup>3</sup> During the test year, purchased water constituted 91.54 percent of Bradshaw's total water pumped and purchased for  
the system. During 2010, purchased water constituted 95.96 percent of Bradshaw's total water pumped and purchased for  
the system. During both years, due to system water loss, Bradshaw actually purchased more water than it sold. PVWC  
was formerly Shamrock Water Company, a regulated public service corporation.

27 <sup>4</sup> During the TY, approximately 55 bills were issued for usage in excess of 20,000 gallons per month, with  
approximately 12 of those bills exceeding 40,000 gallons per month and the highest bills being issued for usage of 67,970  
and 88,370 gallons in a month.

28 <sup>5</sup> Bradshaw noted that these customers have not complained about the proposed water rates.

1 and sold, reflecting a water loss of 13.52 percent.<sup>6</sup> Bradshaw also provided figures for calendar year  
2 2010 water pumped, purchased, and sold, reflecting water loss of 5.32 percent, well within Staff's  
3 recommended maximum water loss standard. Bradshaw explained that it has taken steps to minimize  
4 excessive water loss by repairing tank controls, promptly changing out inoperable meters, contacting  
5 customers with abnormally high water consumption to determine whether the customers are  
6 experiencing leaks on their property, and monitoring water purchased and sold to detect water main  
7 leaks.

8         6. During the period of 2007 through March 8, 2011, the Commission received no  
9 customer complaints or inquiries concerning Bradshaw. Since the issuance of the Staff Report in this  
10 matter, however, the Commission has received eight customer comments, representing approximately  
11 six separate accounts, all in opposition to the proposed rate increase.

12         7. Bradshaw is in full compliance with Arizona Department of Environmental Quality  
13 ("ADEQ") requirements.

14         8. Bradshaw's service area is located in the Prescott Active Management Area ("AMA").  
15 The Arizona Department of Water Resources ("ADWR") has determined that Bradshaw's water  
16 system is currently in compliance with ADWR requirements governing water providers and/or  
17 community water systems.

18         9. Bradshaw is current in its property and sales tax payments.

19         10. Bradshaw is in good standing with the Commission's Corporations Division.

20         11. Staff's Compliance database shows no delinquent compliance items for Bradshaw.

21 **Procedural History**

22         12. On December 15, 2010, Bradshaw filed with the Commission an application for a  
23 permanent rate increase, showing that Bradshaw had TY operating revenues of \$128,972 and an  
24 operating loss of \$197,723 and requesting a rate increase of \$11,251, or 8.72 percent. With its  
25 application, Bradshaw filed an affidavit stating that Bradshaw had mailed notice of its application to  
26 all of its customers on December 15, 2010, and a copy of the notice sent, which stated that Bradshaw

27 \_\_\_\_\_  
28 <sup>6</sup> Bradshaw explained that a former employee had incorrectly recorded water purchased for December 2009 and water sold for August 2009 and that water loss improved when the correct information was recorded.

1 was seeking a revenue increase of \$11,251, or 8.55 percent of total revenues, and that Bradshaw's TY  
2 operating loss had been \$199,613. The notice also stated that pages 9 and 11 of the application were  
3 included with the notice, although the pages were not attached to the copy of the notice included in  
4 the application.

5 13. On January 14, 2011, Staff issued a Letter of Deficiency, stating that Bradshaw's  
6 application had not met the sufficiency requirements of Arizona Administrative Code ("A.A.C.")  
7 R14-2-103.

8 14. On January 18, 2011, Bradshaw filed a revised customer notification letter, including  
9 revised pages 9 and 11 of the application, along with an affidavit stating that the revised notification  
10 had been mailed to Bradshaw's current customers on January 13, 2011. In the filing, Bradshaw also  
11 included several other revised application pages, including a revised income and expense statement  
12 showing TY operating revenues of \$131,813 and a TY operating loss of \$65,627.

13 15. On January 21, 2011, Staff issued a Letter of Sufficiency, stating that Bradshaw's  
14 application had met the sufficiency requirements of A.A.C. R14-2-103(B)(7) and that Bradshaw had  
15 been classified as a Class D utility.

16 16. On January 24, 2011, Bradshaw filed a letter including revised application pages and  
17 copies of documentation for Bradshaw's wells.

18 17. On February 16, 2011, Bradshaw filed revised application pages.

19 18. On March 9, 2011, Bradshaw filed a letter stating that for years Bradshaw has been  
20 collecting a \$1,650 impact fee per lot and then paying it to the Town of Prescott Valley ("Town").  
21 The letter stated that Staff had pointed out to Bradshaw that the impact fee is not in Bradshaw's tariff  
22 and that Bradshaw desired for the Commission to "bring this up to the Arizona Corporation  
23 Commission Administrative Code."<sup>7</sup>

24 19. On April 6, 2011, Staff issued a Staff Report, recommending, *inter alia*, that Staff's  
25 recommended rates and charges be approved for Bradshaw and that Bradshaw be required to re-  
26 notify its customers, within 30 days, because the Staff-recommended rates and charges are higher  
27

---

28 <sup>7</sup> This is understood to be a request for the impact fee to be included in Bradshaw's tariff going forward.

1 than those requested by Bradshaw.

2       20. On April 26, 2011, a Procedural Order was issued requiring Bradshaw to provide its  
3 customers specified notice and to file certification of having provided such notice; requiring  
4 Bradshaw to file answers to specified questions; requiring Staff to file answers to specified questions;  
5 requiring Bradshaw and Staff to file responses to each other's answers; and extending the time frame  
6 in this matter by 60 days.

7       21. On April 28, 2011, Bradshaw filed proof of having sent its customers notice of Staff's  
8 recommended rates and charges on April 12, 2011.

9       22. On May 3, 2011, Bradshaw filed certification of having sent its customers notice, as  
10 prescribed by the Procedural Order, on May 3, 2011.

11       23. On May 19, 2011, Bradshaw filed answers to the questions set forth in the Procedural  
12 Order, along with a number of attachments.

13       24. On May 26, 2011, Staff filed answers to the questions set forth in the Procedural  
14 Order.

15       25. On June 9, 2011, Staff filed its response to Bradshaw's filed answers.

16       26. On June 13, 2011, Bradshaw filed its response to Staff's filed answers.

17       27. Between April 18 and June 3, 2011, eight comments were filed, representing  
18 approximately six customer accounts, all in opposition to a rate increase for Bradshaw and most  
19 specifically opposing Staff's recommended rates because they are higher than Bradshaw's requested  
20 rates.

21       28. On July 6, 2011, a Procedural Order was issued pointing out an error in the Staff  
22 Report's recitation of Bradshaw's current rate design and proposed rate design and requiring Staff to  
23 file revised Staff Report schedules including calculations based on the correct current and proposed  
24 commodity rate design.<sup>8</sup> The Procedural Order also extended the time frame for this matter by 21  
25 days.

26       29. On July 20, 2011, Staff filed a Revised Staff Report addressing the rate design error  
27

28 <sup>8</sup> The Staff Report used an incorrect third-tier break-over point for Bradshaw's current commodity rates and Bradshaw's proposed commodity rates, which would alter numerous figures if used in Staff's calculations.

1 and making several other clarifying changes.

2 **Regulatory Issues**

3 **Bookkeeping and Recordkeeping Requirements**

4       30. In Decision No. 64286 (December 28, 2001), the Commission found that Bradshaw's  
5 books and records were not being kept consistent with the National Association of Regulatory Utility  
6 Commissioners ("NARUC") Uniform System of Accounts ("USOA"). Staff recommended in that  
7 case that Bradshaw be required to implement and maintain its books and records in conformity with  
8 the NARUC USOA, in compliance with A.A.C. R14-2-411(D)(2), and the Commission adopted  
9 Staff's recommendations.<sup>9</sup> After purchasing Bradshaw, Mr. Bohler had Don Lovell, Bradshaw's  
10 prior owner, continue to provide bookkeeping services until 2006. During its audit in this matter,  
11 Staff determined that certain plant accounts have not been maintained properly and that Bradshaw  
12 lacks information about additions and retirements for those accounts for the years 2006 and before,  
13 which is not consistent with the NARUC USOA. As a result, Staff used plant balances established in  
14 Bradshaw's last rate case as the starting point to establish its current plant balances.

15       31. Staff recommends that Bradshaw be ordered to conform its books and records to the  
16 NARUC USOA and has not recommended any adverse actions for Bradshaw's failure to do so  
17 previously. Specifically, Staff recommends:

- 18           a. That Bradshaw be required, on a going-forward basis, to maintain its books  
19 and records in accordance with the NARUC USOA, which includes recording  
20 structures and improvements in account no. 304, meters in account no. 334,  
21 and pumps in account no. 311; and
- 22           b. That Bradshaw be required to file, within 90 days of the effective date of a  
23 Decision in this matter, a plan identifying the actions it will take to keep its  
24 books and records in accordance with the NARUC USOA.

25       32. While Staff has not recommended any adverse action against Bradshaw for failing to  
26 implement the NARUC USOA and to maintain its books and records in accordance with the NARUC

27 \_\_\_\_\_  
28 <sup>9</sup> The Decision mistakenly referred to Staff's recommendations in Findings of Fact No. 24, rather than Findings of Fact No. 32, but the Commission's intent was clear, as there were no Staff recommendations in Findings of Fact No. 24.

1 USOA as required by Decision No. 64286, and we are adopting Staff's recommendation herein  
2 (largely because Bradshaw was under different ownership when Decision No. 64286 was issued),  
3 Bradshaw is hereby put on notice that any continuing failure to comply with this requirement is likely  
4 to result in adverse action against it in a future case.

5 Refunds of Service Line and Meter Installation Charges

6 33. During its audit in this matter, Staff determined that Bradshaw collected a total of  
7 \$9,100 in service line and meter installation charges from 2005 to 2009 and that Bradshaw has not  
8 refunded any of the service line and meter installation charges as required by A.A.C. R14-2-  
9 405(B)(2) because Bradshaw was not aware of the rule requirements. Bradshaw has provided a list  
10 of the customers from whom the service line and meter installation charges were collected. Staff  
11 calculated that Bradshaw should have refunded a total of \$3,465 of these service line and meter  
12 installation charges as of the end of 2010.

13 34. Staff recommends that Bradshaw be required to commence refunding the service line  
14 and meter installation charges as required under A.A.C. R14-2-405(B)(2) rather than being required  
15 immediately to make the overdue refunds. Staff explained that Bradshaw lacks the funds to refund  
16 the past-due amounts immediately and further stated that Staff does not generally recommend  
17 immediate repayment unless a company has a history of noncompliance and has already been put on  
18 notice of the penalty for continued noncompliance. Specifically, Staff recommends:

- 19 a. That Bradshaw be required to file with Docket Control, as a compliance item  
20 in this docket, a copy of the list of customers to be refunded service line and  
21 meter advances in aid of construction; and  
22 b. That Bradshaw be required to begin providing refunds, in accordance with  
23 A.A.C. R14-2-405(B)(2), to the customers identified in the list of customers  
24 filed with Docket Control.

25 35. Staff has not recommended any adverse action against Bradshaw for its failure to  
26 refund service line and meter installation charges as required by A.A.C. R14-2-405(B)(2). Because  
27 Mr. Bohler apparently failed to make the refunds due to ignorance of the requirement, and Bradshaw  
28 does not have sufficient funds to make immediate refund of the past due amounts, we will adopt

1 Staff's recommendation to have the refunds begin, consistent with the Commission's rule, after the  
2 effective date of this Decision. Bradshaw is hereby put on notice again, however, that failure to  
3 comply with the refund requirement is likely to result in adverse action against it in a future case.

4 Refunds of Line Extension Advances

5       36. During its audit in this matter, Staff identified \$121,319 in line extension advances  
6 held by Bradshaw and not refunded pursuant to the main extension agreements ("MXAs") under  
7 which they were made. Bradshaw provided documentation showing that the funds were advanced by  
8 North Nugget Development, L.L.C. ("North Nugget") (for which Mr. Lovell signed as Managing  
9 Director) for main line extensions to serve a development known as Creekside of Prescott  
10 ("Creekside"). The MXA for Creekside Phase 1, entered into on July 24, 1997,<sup>10</sup> was for an advance  
11 of \$58,950. The MXA for Creekside Phase 2, entered into on March 10, 1999, was for an advance of  
12 \$64,395. Bradshaw stated that all of the funds were used to pay for the plant for which the funds  
13 were advanced. Bradshaw also provided Commission letters showing that the 1997 and 1999 MXAs  
14 were reviewed and approved by Staff in 1997 and 2000, respectively. The MXAs required refunds,  
15 constituting a percentage of gross revenues from water sales to the customers served by the line  
16 extensions, to be made each year for no less than 10 years and provided that any balances remaining  
17 at the end of the 10-year period would become nonrefundable contributions in aid of construction  
18 ("CIAC"). A total of \$121,318.80 was outstanding as of Bradshaw's last rate case, and Bradshaw  
19 asserted herein that a total of \$12,299.81 has been refunded to North Nugget, but that Bradshaw only  
20 has records of \$2,439.09 in refunds because the rest of the refund records were not provided to Mr.  
21 Bohlier. Bradshaw did not, however, provide documentation of the refunds. Staff has recorded the  
22 entire \$121,319 as CIAC, stating that none of the advanced funds have been refunded since the last  
23 rate case and that more than 10 years have passed since the completion of the MXAs, which renders  
24 the unrefunded advance amounts nonrefundable CIAC. Staff explained that it is not possible to  
25 determine what refunds, if any, may have been due under the terms of the MXAs because the refunds  
26 are calculated based on the gross revenues from specific mains, data that Staff does not possess.

27 <sup>10</sup> Although the MXA states that it was entered into on July 24, 1997, it appears that the construction of the extension  
28 had already occurred, as the MXA shows a construction start date of January 1, 1996, and a construction completion date  
of May 31, 1996.



1 Bradshaw has not objected to Staff's recommended conversion of the advances to CIAC.

2 37. We find that conversion of the \$121,319 in advanced funds to CIAC is the most  
3 reasonable and appropriate action to take related to these funds because it is not possible to determine  
4 whether refunds were due to North Nugget under the two MXAs and because more than 10 years  
5 have passed since the MXAs were executed. In reaching this conclusion, we have also considered  
6 that North Nugget was an affiliated entity controlled by Mr. Lovell at the time the MXAs were  
7 executed, that Mr. Lovell would have been in a position to ensure that any refunds due were paid to  
8 North Nugget during the time of that affiliation, and that Commission records indicate that North  
9 Nugget may have dissolved in 2010.<sup>11</sup>

10 Allocation of Shared Costs

11 38. In addition to owning and managing Bradshaw, Mr. Bohlier manages Sabrosa Water  
12 Company ("Sabrosa"), which is another regulated public service corporation; Creekside Sanitary  
13 District, which is a special district and not regulated by the Commission; and Granite Springs Water  
14 Company, LLC (dba Everwett LLC), which Mr. Bohlier also owns and which is not regulated by the  
15 Commission. During the TY, Bradshaw shared operating expenses with Creekside Sanitary District  
16 and Sabrosa. Bradshaw does not currently have a written cost allocation policy for these shared  
17 expenses, but Mr. Bohlier explained the TY breakdown of shared expenses<sup>12</sup> and proposed that,  
18 going forward, expenses be allocated 60 percent to Bradshaw, 15 percent to Sabrosa, and 25 percent  
19 to Creekside Sanitary District. This proposed allocation is based solely on number of customers.

20 39. Staff asserted that a single-factor allocation method for shared expenses based on  
21 customer counts is inappropriate because it always results in the utility with the largest number of  
22 customers paying the largest amount of the allocated cost even when that company has not directly  
23 caused the cost. Staff generally recommends a four-factor allocation method that more closely  
24

25 <sup>11</sup> Official notice is taken of the Commission's Corporations Division STARPAS database record showing that North  
26 Nugget's latest date to dissolve was December 31, 2010. If North Nugget is no longer a viable entity, it would be at best  
impracticable to provide North Nugget any additional refunds under the MXA.

27 <sup>12</sup> Although Bradshaw proposes that the expenses be shared amongst the three companies going forward, during the  
28 TY, Bradshaw paid the entire Qwest phone expense and Verizon phone expense, paid four times as much as Sabrosa for  
rent, and paid five times as much as Sabrosa for computer and printer use. Bradshaw also revealed that Creekside  
Sanitary District has never been charged for rent, supplies, or computer and printer use. Bradshaw's current office space  
is located at Mr. Bohlier's residence.

1 follows NARUC cost allocation guidelines, but acknowledged that four-factor allocation is time-  
2 consuming and may not produce significantly different results for Bradshaw, as Bradshaw's shared  
3 costs are relatively low. Staff recommends:

4           a.     That Bradshaw be required to utilize the NARUC Guidelines for Cost  
5                 Allocations and Affiliate Transactions to develop written cost allocation  
6                 procedures; and

7           b.     That Bradshaw be required to file with Docket Control, within 90 days of the  
8                 effective date of a Decision in this matter, as a compliance item in this docket,  
9                 a copy of its written allocation procedures, which should at least:

10                   i.     Identify each expense to be allocated, i.e., provide a descriptive  
11                         name;

12                   ii.    Identify the basis of the allocation (e.g., customers, rate base,  
13                         revenue, expenses, four factor, etc.); and

14                   iii.   Show the actual calculation used to make the allocation.

15         40.     Although Bradshaw's shared expenses are relatively low and fall within reasonable  
16         ranges, we are somewhat concerned that Bradshaw appears to be shouldering more of the burden  
17         from the shared expenses than do Mr. Bohler's other enterprises. Thus, while we are adopting  
18         Staff's recommended adjusted operating expenses herein, we put Bradshaw on notice that its shared  
19         expenses will be scrutinized and may be disallowed in its next rate case if Bradshaw's allocation  
20         method appears to place a burden on Bradshaw that is inconsistent with the demand that Bradshaw  
21         places upon the shared facilities, equipment, and personnel.

22         Impact Fees

23         41.     Since approximately March 2002, Bradshaw has been collecting a \$1,650 impact fee  
24         per lot from certain of its new customers and turning the impact fee over to the Town. Bradshaw  
25         reports that it has collected the \$1,650.00 impact fees from 12 customers and has passed 11 of the  
26         impact fees through to the District. Bradshaw requests that the impact fee be authorized by the  
27         Commission and included in Bradshaw's tariff.

28         42.     In its filing on May 19, 2011, Bradshaw provided a copy of an Agreement for

1 Recovery of Effluent Storage Credits, entered into by North Nugget, Bradshaw, and the District on  
2 February 28, 2002 ("Agreement"). The Agreement explains that North Nugget was the developer for  
3 Creekside, that Bradshaw received water from Shamrock Water Company ("Shamrock") through an  
4 Intertie Agreement dated March 1993, how the District was formed, and how Shamrock was  
5 converted to the non-profit company now known as PVWC. The Agreement also states that North  
6 Nugget obtained a Certificate of Assured Water Supply ("CAWS") from ADWR for Creekside Phase  
7 1 and Creekside Phase 2, but required approximately 6.72 acre-feet per year ("AFY") of long-term  
8 storage credits to obtain a CAWS for 25 lots located in Creekside Phase 3 and, in a separate sale and  
9 purchase agreement, agreed to purchase from the City of Prescott ("Prescott") long-term storage  
10 credits for the 25 lots in Creekside Phase 3. In the Agreement, the District agreed to recover on  
11 behalf of North Nugget up to 7 acre-feet of reserved long-term storage credits each year after the  
12 issuance of the CAWS for Creekside Phase 3 and to deliver the recovered credits to Bradshaw in  
13 accordance with the 1993 Intertie Agreement between Shamrock and Bradshaw. Bradshaw agreed to  
14 deliver the reserved water received by it solely to Creekside Phase 3 and further agreed, on behalf of  
15 North Nugget, annually to reimburse the District for the District's payment of the long-term storage  
16 credit recovery fee set forth in A.R.S. § 45-874.01, within 30 days after receiving an invoice from the  
17 District. North Nugget further agreed to inform each purchaser of a lot in Creekside Phase 3 that the  
18 purchaser is required to pay Bradshaw, on behalf of and as a "pass through" to the District, an  
19 amount equal to the System Capacity Charge established by the District before Bradshaw will install  
20 a meter and provide domestic water service to the lot. The Agreement specified that Bradshaw was  
21 to collect the System Capacity Charge at the time of meter installation, was to remit the charge to the  
22 District within 10 days thereafter, and was not to initiate domestic water service to any lot in  
23 Creekside Phase 3 until after the System Capacity Charge was paid. The Agreement states that the  
24 System Capacity Charge at that time was \$1,650.00. The Agreement states that it is effective for 100  
25 years following the issuance of a CAWS for Creekside Phase 3. The Agreement was signed by Don  
26 Lovell as Managing Director of North Nugget and on behalf of Bradshaw.

27 43. In its original Staff Report, Staff recommended that Bradshaw not be permitted to  
28 include the impact fee in its tariff because Staff believed that the impact fee was being collected and

1 passed on to the Town through an unwritten agreement and that the impact fee was not related to  
2 Bradshaw's operations but only to the operations of the Town. Staff asserted that Bradshaw is not  
3 required to collect the impact fee for the Town or to pay the impact fee to the Town. Staff did not  
4 provide any additional analysis or recommendation regarding the impact fee after Bradshaw provided  
5 the Agreement. Staff recommends that Bradshaw's request to collect the \$1,650 impact fee be  
6 denied.

7       44. We are concerned that Staff's recommendation for denial of the impact fee, if adopted,  
8 could leave Bradshaw in the unenviable position of having an apparent contractual obligation to pass  
9 along the impact fee to the District when a new customer in a certain area establishes service, while  
10 having been denied the authority to collect such impact fee by the Commission. We are also  
11 concerned that the impact fee could potentially be considered a discriminatory charge that is  
12 inconsistent with A.R.S. §§ 40-334 and/or 40-374 because it is apparently only imposed upon new  
13 customers in a specified area, and we are naturally concerned because Bradshaw has been collecting  
14 the fee for years without Commission authorization. In addition, we are concerned because we do  
15 not know whether the District views Bradshaw's collection of the impact fee as consideration in any  
16 manner for the District's provision of the vast majority of Bradshaw's water supply pursuant to the  
17 Intertie Agreement. Because of these concerns, which we do not currently have enough information  
18 to resolve, we find that it is necessary and appropriate to take no definitive action on the impact fee in  
19 this Decision and instead to require a second phase of this matter specifically to address the  
20 resolution of Bradshaw's request to have the impact fee included in its tariff. Thus, we will order the  
21 Hearing Division to hold a procedural conference to discuss the process for such a proceeding and  
22 will entrust the Hearing Division to determine the process to be followed, to oversee the process, and  
23 to issue either a recommended order or recommended opinion and order, as appropriate, to resolve  
24 the issue following such proceeding.

25 Connection Charges

26       45. Bradshaw assesses a \$100 connection charge for each new connection to be served by  
27 its system. Although the new connection charge is not included in Bradshaw's current tariff, it  
28 originates from the Intertie Agreement, which requires Bradshaw to pay the charge to PVWC.

Bradshaw has been paying the \$100 charge out of the \$350 service line and meter installation charge assessed under its current tariff. The Intertie Agreement was approved by the Commission in Decision No. 58435 (October 18, 1993), which specifically recognized the existence of the connection charge. Staff recommends that Bradshaw be approved to include the \$100 connection charge in its tariff because the connection charge is required by the Intertie Agreement and is a reasonable charge. Specifically, Staff recommends:

- a. That Bradshaw be authorized to collect a \$100 non-refundable purchased water contract connection charge; and
- b. That Bradshaw be required to file, within 60 days after Bradshaw is no longer under a contractual obligation to pay a \$100 charge to the District for each new Bradshaw customer, an amendment to its tariff that eliminates the \$100 non-refundable purchased water contract connection charge.

46. As to the \$100 connection charge, which is required by the Intertie Agreement, we agree with Staff that the connection charge should be included in Bradshaw's tariff as a nonrefundable fee to be collected as a one-time charge from new customers establishing new service connections to Bradshaw's system. We find that it is appropriate because it is applied evenhandedly to all newly connecting Bradshaw customers, is not excessive, and is required to be paid by Bradshaw to PVWC as partial consideration for Bradshaw's receipt of water from PVWC.

#### Purchased Water Adjustment Mechanism

47. Bradshaw requests authority to adopt a mechanism that will enable it to pass PVWC rate increases through to its customers without the necessity of engaging in another rate case. According to documentation filed by Bradshaw, PVWC has increased its commodity rates three times, and a total of approximately 36 percent, since January 2005.<sup>13</sup>

48. Because approximately 45 percent of Bradshaw's operating expenses are purchased water costs, almost all of Bradshaw's water supply is purchased from PVWC, and Bradshaw has no control over the amount or timing of PVWC's rate increases, Staff recommends that Bradshaw be

---

<sup>13</sup> We note that the PVWC commodity rates are still significantly lower than Bradshaw's rates.

1 authorized to assess a purchased water adjustment mechanism surcharge, which can be adjusted  
2 annually based upon a calculation made using an established base water rate set at the average per-  
3 thousand-gallon cost for purchased water during the TY and the actual per-thousand-gallon cost for  
4 purchased water during the preceding calendar year. Staff's recommended tariff is set forth in  
5 Exhibit A hereto, which is incorporated herein. Specifically, Staff recommends:

- 6 a. That Bradshaw be permitted to implement the Staff Recommended Purchased  
7 Water Cost Recovery Adjustor Mechanism Tariff, which is set forth in Exhibit  
8 A and incorporated herein;
- 9 b. That Bradshaw be ordered to make a filing with Staff, on or before February  
10 15 of each year, showing Bradshaw's calculation of the surcharge using the  
11 methodology presented on Exhibit A, even if the calculation shows that there  
12 would be no change to the surcharge;
- 13 c. That Staff review Bradshaw's surcharge calculation filing by March 15 and, if  
14 the surcharge calculation is acceptable to Staff, have the surcharge be  
15 implemented by April 1;
- 16 d. That Bradshaw be required to include the surcharge on each customer's bill as  
17 a separate charge; and
- 18 e. That Bradshaw be required to notify its customers of any changes in the  
19 surcharge within 30 calendar days of making a filing with the Commission to  
20 adjust the surcharge.

21 49. Due to Bradshaw's reliance on PVWC for almost all of its water supply, its inability to  
22 control the cost of that water supply in the face of PVWC rate increases, and its already somewhat  
23 precarious financial situation, we find that it is reasonable and appropriate to authorize Bradshaw to  
24 implement a purchased water cost recovery adjustment mechanism tariff that will allow it to impose a  
25 surcharge that is subject to adjustment once each year based upon the actual average cost per  
26 thousand gallons of water during the prior calendar year. However, rather than adopting Exhibit A,  
27 we will adopt Exhibit B, attached hereto and incorporated by reference herein, which is a modified  
28 version of Exhibit A that reflects revisions and clarifications made by Staff in its filing of May 26,

2011, but not carried over into Exhibit A.

## Ratemaking

50. Bradshaw reported TY total revenues of \$131,813 and total operating expenses of \$197,440, for a TY operating loss of \$65,627. Bradshaw's proposed rates would result in an increase of \$21,783<sup>14</sup> in annual revenues and thus in a continued operating loss and no return on Bradshaw's reported original cost rate base ("OCRB") of \$480,468.

51. Staff calculated adjusted TY revenue of \$133,026 and adjusted total operating expenses of \$153,130, for a TY operating loss of \$20,104. Staff's proposed rates would result in an increase of \$51,808, and in operating income of \$25,110, for an 8-percent rate of return on Staff's recommended OCRB of \$313,874.

52. Bradshaw's current and proposed rates and charges and the rates and charges recommended by Staff are as follows:

	<u>Present Rates</u>	<u>Bradshaw Proposed</u>	<u>Staff Recommended</u>
<b><u>MONTHLY MINIMUM CHARGES:</u></b>			
5/8" x 3/4" Meter	\$ 33.00	\$ 37.00	\$ 38.00
3/4" Meter	33.00	37.00	38.00
1" Meter*	33.00	33.00	38.00
1" Meter	82.50	82.50	100.00
1 1/2" Meter	165.00	165.00	200.00
2" Meter	264.00	264.00	320.00
3" Meter	495.00	495.00	640.00
4" Meter	825.00	825.00	1,000.00
6" Meter	1,650.00	1,650.00	2,000.00

\* When required for residential sprinkler systems for the eight lots on Hunter Ridge Road

## **COMMODITY RATES (Per 1,000 Gallons):**

### All Meter Sizes

1 to 4,000 Gallons	\$4.50	\$5.30	
4,001 to 6,000 Gallons	5.75	6.71	
Over 6,000 Gallons	6.75	8.00	
1 to 4,000 Gallons			\$6.00
4,001 to 8,000 Gallons			9.00
Over 8,000 Gallons			15.55

<sup>14</sup> In its application, Bradshaw requested an increase in revenues of only \$11,251. Staff determined, however, that Bradshaw's proposed rates would actually generate \$21,783 in additional annual revenues.

**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Present Rates</u>	<u>Bradshaw Proposed</u>	<u>Staff Recommended Services</u>	<u>Meters</u>	<u>Total</u>
5/8" x 3/4" Meter	\$ 350.00	\$2,500.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	400.00	2,500.00	445.00	255.00	700.00
1" Meter	500.00	2,500.00	495.00	315.00	810.00
1 1/2" Meter	750.00	2,500.00	550.00	525.00	1,075.00
2" Meter	1,500.00	1,500.00	830.00	1,045.00	1,875.00
3" Meter	1,975.00	1,975.00	1,045.00	1,670.00	2,715.00
4" Meter	3,040.00	3,040.00	1,490.00	2,670.00	4,160.00
6" Meter	7,290.00	7,290.00	2,210.00	5,025.00	7,235.00

	<u>Present Rates</u>	<u>Bradshaw Proposed</u>	<u>Staff Recommended</u>
--	--------------------------	------------------------------	------------------------------

**SERVICE CHARGES:**

Establishment	\$60.00	\$60.00	\$60.00
Establishment (After Hours)	\$90.00	\$90.00	Discontinued
Reconnection (Delinquent)	\$60.00	\$60.00	\$60.00
Reconnection (Delinquent) (After Hours)	N/A	\$75.00	Denied
After Hours Charge (Flat Rate)	N/A	N/A	\$50.00
Meter Test (If Correct)	\$50.00	\$50.00	\$50.00
Deposit	*	\$66.00	*
Deposit Interest (Per Year)	*	1.00%	6.00%
Re-Establishment (Within 12 Months)	**	\$35.00	**
NSF Check	\$25.00	\$25.00	\$25.00
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	\$20.00	\$20.00	\$20.00
Late Fee (Per Month on Unpaid Balance)	1.50%	1.50%	1.50%

**Purchased Water Contract Connection Charge**

	N/A	N/A	\$100.00
--	-----	-----	----------

<b>Impact Fee</b>	N/A	\$1,650.00	Denied
-------------------	-----	------------	--------

**Monthly Service Charge For Fire Sprinkler:**

All Sizes	***	***	***
-----------	-----	-----	-----

\* Per Commission Rules (R14-2-403(B))

\*\* Months off system times the monthly minimum charge (R14-2-403(D))

\*\*\* 1.00% of monthly usage charge for a comparably sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

53. Staff's adjustments to rate base reduced Bradshaw's OCRB by \$166,594 overall.



1 Staff decreased plant in service by \$561,442 by making beginning plant balances conform to the  
2 plant balances determined in Bradshaw's last rate case, retiring plant that is no longer in use, and  
3 adding plant that is new since the last rate case and for which support was available. Plant balances  
4 were established in this manner because Bradshaw's records for the period since the last rate case  
5 have not been kept consistent with the NARUC USOA and are partially missing, as described  
6 previously. Staff decreased accumulated depreciation by \$501,644 by using the balance from the last  
7 rate case, reflecting Staff's adjustments to plant balances made herein, and applying Commission-  
8 approved depreciation rates. Staff increased advances in aid of construction ("AIAC") by \$9,100 to  
9 reflect the service line and meter installation charges that have not been refunded in accordance with  
10 Commission rules, as discussed previously. Staff increased CIAC by \$121,319 to reflect the  
11 unrefunded line extension advances made pursuant to the two MXAs, as discussed previously. Staff  
12 also allowed working capital of \$19,659, which Staff calculated using the formula method. We find  
13 that Staff's adjustments to rate base are reasonable and appropriate and should be adopted, and we  
14 find that Bradshaw's fair value rate base ("FVRB") is equivalent to its OCRB and is \$313,874.

15       54. Staff's adjustments to TY operating revenue resulted in an overall increase of \$1,213  
16 and included an increase in metered water revenue to reflect Staff's calculation using Bradshaw's TY  
17 billing determinants and a decrease in other water revenue to remove small amounts included  
18 erroneously for meter and service line installations and a billing correction credit memo adjustment.  
19 We find that Staff's adjustments to TY operating revenues are reasonable and appropriate and should  
20 be adopted and that Bradshaw had TY total operating revenue of \$133,026.

21       55. Staff's adjustments to TY operating expenses resulted in an overall decrease of  
22 \$44,310. Staff decreased repairs and maintenance expense by removing costs more appropriately  
23 capitalized in plant accounts and reclassifying certified operator services as contractual services;  
24 decreased office supplies and expense by reclassifying accounting services to contractual services;  
25 increased contractual services expense by adding certified operator services, secretarial services,  
26 meter reading services, and accounting services and removing the cost of a meter and costs incurred  
27 prior to the TY; decreased rate case expense by normalizing the amount requested over three years;  
28 decreased miscellaneous expenses by removing an impact fee paid to the Town and adding costs for

1 cell phone, telephone alarm, and blue staking; and decreased depreciation expense by making it  
 2 consistent with Staff's adjusted plant balances. We find that Staff's adjustments to TY operating  
 3 expenses are reasonable and appropriate and should be adopted, and we find that during the TY,  
 4 Bradshaw had total operating expenses of \$153,130 and an operating loss of \$20,104, which reflects  
 5 a negative rate of return on FVRB.

6 56. The rates and charges proposed by Bradshaw would result in an operating loss of  
 7 \$43,844 and a negative rate of return on FVRB. According to Staff, Bradshaw has been operating at  
 8 a loss since 2006, and Mr. Bohler has likely been subsidizing Bradshaw for several years. Decision  
 9 No. 60708 (February 27, 1998) and Decision No. 64286 (December 28, 2001), of which we take  
 10 official notice, indicate that Bradshaw has also operated at a loss in the past.<sup>15</sup> It is unclear why  
 11 Bradshaw proposed rates and charges that would result in a continued operating loss.

12 57. The rates and charges recommended by Staff would result in total operating revenue  
 13 of \$184,834 and operating income of \$25,110, which reflects an 8-percent rate of return on FVRB.  
 14 For a 5/8" x 3/4" meter residential customer with median water usage of 4,415 gallons, Staff's  
 15 recommended rates and charges would increase the customer's monthly bill from \$53.39 to \$65.74,  
 16 for an increase of \$12.35 or 23.13 percent. For a 5/8" x 3/4" meter residential customer with average  
 17 water usage of 6,043 gallons, Staff's recommended rates and charges would increase the monthly bill  
 18 from \$62.79 to \$80.39, for an increase of \$17.60 or 28.03 percent. Staff's recommended rates and  
 19 charges would result in much higher percentage increases for customers with significant water usage  
 20 exceeding 8,000 gallons per month, the break-over point for application of the third-tier commodity  
 21 rate. For example, a 5/8" x 3/4" meter residential customer with water usage of 15,000 gallons would  
 22 see a monthly increase from \$123.25 to \$206.85, which is an increase of \$83.60 or 67.83 percent.

23 58. In addition to the recommendations set forth above, Staff recommends:

24 a. Approval of Staff's recommended rates and charges;<sup>16</sup>

25  
 26 <sup>15</sup> Decision No. 60708 found that Bradshaw had had a TY operating loss of \$30,830 and authorized rates going forward  
 27 that were expected to result in a net operating loss of \$9,375 but to provide Bradshaw a small positive cash flow.  
 Decision No. 64286 found that Bradshaw had had a TY operating loss of \$14,707 and authorized rates going forward that  
 were expected to result in net operating income of \$1,983 and a positive cash flow of \$20,000.

28 <sup>16</sup> Staff also recommended that Bradshaw be required to re-notice its customers, within 30 days of the filing date of the  
 Staff Report, regarding the potential rate increase being recommended by Staff. As noted previously, Bradshaw provided

- 1           b.     That Bradshaw be ordered to file with Docket Control, within 30 days after the  
2                 effective date of the Decision in this matter, as a compliance item in this  
3                 docket, a tariff schedule of its new rates and charges;
- 4           c.     That Bradshaw be ordered to adopt the typical and customary depreciation  
5                 rates delineated in Table B of the Engineering Report portion of the Staff  
6                 Report;
- 7           d.     That Bradshaw be required to monitor its water system for a 12-month period  
8                 and to prepare a water loss reduction report, which shall:
- 9                     i.     Be filed with Docket Control, as a compliance item in this  
10                         docket, within 13 months of the effective date of the Decision in  
11                         this matter; and
- 12                    ii.    If the reported water loss is greater than 10 percent, include an  
13                         evaluation of Bradshaw's water system and either:
- 14                             1.     A detailed analysis and plan to reduce the water loss to  
15                                 10 percent or less; or
- 16                             2.     A detailed cost-benefit analysis supporting a  
17                                 determination that it is not cost effective to reduce water  
18                                 loss to 10 percent or less; and
- 19           e.     That Bradshaw be prohibited from having water loss greater than 15 percent.

20           59.    We find that the rates and charges recommended by Staff are just and reasonable, and  
21 we will adopt them. Although Staff's recommended commodity rates, particularly the rate for third-  
22 tier usage, are relatively high, we find that this is appropriate because it will result in large water  
23 users paying significantly more for using a great deal of water, while keeping the rates much lower  
24 for median and average usage customers who will not reach third-tier consumption because the  
25 break-over point to third-tier usage is being increased from 6,001 gallons to 8,001 gallons. We are  
26 very much aware that Bradshaw has been operating at a loss for years, which we believe is not in the

27 \_\_\_\_\_  
28 its customers with notice, including specific schedules from the Staff Report, as required by a Procedural Order issued on  
April 26, 2011.

1 public interest or in the best interest of its customers, as consistently operating at a loss can inhibit a  
2 public service corporation's ability to maintain its system in an appropriate fashion and to provide its  
3 customers with satisfactory and continuous service.

4 **Resolution**

5         60. We find that Staff's recommendations set forth in Findings of Fact Nos. 31, 34, 39, 45,  
6 and 58 are reasonable and appropriate and should be adopted. Staff's recommendations set forth in  
7 Findings of Fact No. 48 are modified to refer to Exhibit B, as set forth in Findings of Fact No. 49, and  
8 as so modified are reasonable and appropriate and should be adopted. We will not now adopt Staff's  
9 recommendation set forth in Findings of Fact No. 43 and instead will take the actions described in  
10 Findings of Fact No. 44.

11 **CONCLUSIONS OF LAW**

12         1. Bradshaw is a public service corporation within the meaning of Article XV of the  
13 Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-367.

14         2. The Commission has jurisdiction over Bradshaw and the subject matter of the  
15 application.

16         3. Notice of the application in this matter was given in accordance with the law.

17         4. Bradshaw's fair value rate base is \$313,874.

18         5. The rates, charges, and conditions of service established herein are just and reasonable  
19 and in the public interest.

20         6. It is just and reasonable and in the public interest to adopt Staff's recommendations set  
21 forth in Findings of Fact Nos. 31, 34, 39, 45, and 58 and to adopt Staff's recommendations set forth  
22 in Findings of Fact No. 48, as modified in Findings of Fact No. 49.

23         7. It is just and reasonable and in the public interest to take the actions described in  
24 Findings of Fact No. 44.

25 **ORDER**

26 IT IS THEREFORE ORDERED that Bradshaw Water Company, Inc. is hereby authorized  
27 and directed to file with the Commission's Docket Control, as a compliance item in this docket, on or  
28 before October 1, 2011, a revised tariff setting forth the following rates and charges:

**MONTHLY MINIMUM CHARGES:**

5/8" x 3/4" Meter	\$ 38.00
3/4" Meter	38.00
1" Meter*	38.00
1" Meter	100.00
1 1/2" Meter	200.00
2" Meter	320.00
3" Meter	640.00
4" Meter	1,000.00
6" Meter	2,000.00

\*When required for residential sprinkler systems for the eight lots on Hunter Ridge Road

**COMMODITY RATES (Per 1,000 Gallons):**

1 to 4,000 Gallons	\$ 6.00
4,001 to 8,000 Gallons	9.00
Over 8,000 Gallons	15.55

**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Services</u>	<u>Meters</u>	<u>Total</u>
5/8" x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	445.00	255.00	700.00
1" Meter	495.00	315.00	810.00
1 1/2" Meter	550.00	525.00	1,075.00
2" Meter	830.00	1,045.00	1,875.00
3" Meter	1,045.00	1,670.00	2,715.00
4" Meter	1,490.00	2,670.00	4,160.00
6" Meter	2,210.00	5,025.00	7,235.00

**SERVICE CHARGES:**

Establishment	\$60.00
Reconnection (Delinquent)	\$60.00
After Hours Charge (For Any After-Hours Service)	\$50.00
Meter Test (If Correct)	\$50.00
Deposit	*
Deposit Interest (Per Year)	6.00%
Re-Establishment (Within 12 Months)	**
NSF Check	\$25.00
Deferred Payment (Per Month)	1.50%
Meter Re-Read (If Correct)	\$20.00
Late Fee (Per Month on Unpaid Balance)	1.50%

**Purchased Water Contract Connection Charge** \$100.00

**Monthly Service Charge for Fire Sprinkler:**

All Sizes

\*\*\*

\* Per Commission Rules (R14-2-403(B))

\*\* Months off system times the monthly minimum charge (R14-2-403(D))

\*\*\* 1.00% of monthly usage charge for a comparably sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the rates and charges set forth above shall be effective for all services rendered by Bradshaw Water Company, Inc. on and after October 1, 2011.

IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, on a going-forward basis, maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, which includes recording structures and improvements in account no. 304, meters in account no. 334, and pumps in account no. 311.

IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, within 90 days after the effective date of this Decision, file with the Commission's Docket Control, as a compliance item in this docket, a plan identifying the actions that it will take to keep its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.

IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall develop written cost allocation procedures using the National Association of Regulatory Utility Commissioners Guidelines for Cost Allocations and Affiliate Transactions.

IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, within 90 days after the effective date of this Decision, file with the Commission's Docket Control, as a compliance item in this docket, a copy of its written cost allocation procedures, which shall at least:

1. Identify each expense to be allocated by providing a descriptive name for the expense;
2. Identify the basis for the allocation of costs (e.g., customers, rate base, revenue, expenses, four factor, etc.); and
3. Show the actual calculation used to make each allocation.

IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall implement and comply with its written cost allocation procedures.

1 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, within 30 days after  
2 the effective date of this Decision, file with the Commission's Docket Control, as a compliance item  
3 in this docket, copies of the list of customers to whom Bradshaw Water Company, Inc. owes refunds  
4 of service line and meter installation charge advances in aid of construction.

5 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, beginning with the  
6 bills issued in November 2011, commence providing refunds, in accordance with A.A.C. R14-2-  
7 405(B)(2), to the customers identified in the list of customers filed as required herein.

8 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall adopt the typical and  
9 customary depreciation rates, by individual National Association of Regulatory Utility  
10 Commissioners category, delineated in Table B of the Engineering Report portion of the Staff Report  
11 filed in this matter.

12 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall monitor its water  
13 system for a 12-month period and prepare a water loss reduction report, which shall:

- 14 1. Be filed with the Commission's Docket Control, as a compliance item in this docket,  
15 within 13 months after the effective date of the Decision in this matter; and
- 16 2. If the reported water loss is greater than 10 percent, include an evaluation of Bradshaw  
17 Water Company, Inc.'s water system and either:
  - 18 a. A detailed analysis and plan to reduce the water loss to 10 percent or less, or
  - 19 b. A detailed cost-benefit analysis supporting a determination that it is not cost  
20 effective to reduce water loss to 10 percent or less.

21 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall ensure that its water  
22 loss does not exceed 15 percent.

23 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall implement the  
24 Purchased Water Cost Recovery Adjustor Mechanism Tariff set forth in Exhibit B by filing a copy of  
25 the Tariff with the Commission's Docket Control, as a compliance item in this docket, within 30 days  
26 after the effective date of this Decision.

27 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, on or before  
28 February 15 of each year, beginning with February 15, 2012, file with the Commission's Utilities

1 Division, Bradshaw Water Company, Inc.'s calculation of the Purchased Water Cost Recovery  
2 Adjustor Mechanism Surcharge using the methodology presented in Exhibit B, even if the calculation  
3 shows that there would be no change to the surcharge.

4 IT IS FURTHER ORDERED that the Commission's Utilities Division shall, by March 15 of  
5 each year, review the surcharge calculation filed by Bradshaw Water Company, Inc. and notify  
6 Bradshaw Water Company, Inc. whether the surcharge calculation is acceptable to the Utilities  
7 Division and, if so, that the surcharge shall be implemented on April 1.

8 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall include the  
9 Purchased Water Cost Recovery Adjustor Mechanism Surcharge on each customer bill as a separate  
10 charge.

11 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall notify its customers  
12 of any changes in the Purchased Water Cost Recovery Adjustor Mechanism Surcharge within 30  
13 calendar days after making a filing with the Commission's Utilities Division to adjust the surcharge.

14 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. is authorized to collect the  
15 \$100 non-refundable purchased water contract connection charge, to reimburse Bradshaw Water  
16 Company, Inc. for the \$100 connection charge assessed by Prescott Valley Water District for each  
17 new customer connection on Bradshaw Water Company, Inc.'s system, until such time as Bradshaw  
18 Water Company, Inc. is no longer contractually obligated to pay the \$100 connection charge to  
19 Prescott Valley Water District.

20 IT IS FURTHER ORDERED that Bradshaw Water Company, Inc. shall, within 60 days after  
21 it is no longer contractually obligated to pay Prescott Valley Water District the \$100 connection  
22 charge for each new customer added to Bradshaw Water Company, Inc.'s system, file with the  
23 Commission's Utilities Division an amendment to its tariff that eliminates from its tariff the \$100  
24 non-refundable purchased water contract connection charge.

25 IT IS FURTHER ORDERED that a second phase of this matter shall proceed to address the  
26 resolution of Bradshaw's request to have a \$1,650 impact fee authorized in its tariff.

27 ...

28 ...



1 IT IS FURTHER ORDERED that the Commission's Hearing Division shall schedule and  
 2 hold a procedural conference to discuss the process for the second phase of this matter; shall  
 3 determine the process to be followed for the second phase; shall oversee the process for the second  
 4 phase; and shall issue either a recommended order or recommended opinion and order, as  
 5 appropriate, to resolve the second phase after completing such process.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

8  
 9   
 10 CHAIRMAN

  
 COMMISSIONER

11 **EXCUSED**  
 COMM. NEWMAN

12   
 COMMISSIONER

COMMISSIONER

  
 COMMISSIONER

13  
 14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
 15 Executive Director of the Arizona Corporation Commission,  
 16 have hereunto set my hand and caused the official seal of the  
 Commission to be affixed at the Capitol, in the City of Phoenix,  
 this 15<sup>th</sup> day of September, 2011.

17   
 18 ERNEST G. JOHNSON  
 19 EXECUTIVE DIRECTOR

20 DISSENT \_\_\_\_\_

21  
 22 DISSENT \_\_\_\_\_  
 23  
 24  
 25  
 26  
 27  
 28

1 SERVICE LIST FOR: BRADSHAW WATER COMPANY, INC.

2 DOCKET NO.: W-02476A-10-0495

3

4 Don Bohlier, Owner  
Bradshaw Water Company, Inc.  
5 P.O. Box 12758  
Prescott, AZ 86304

6 Janice Alward, Chief Counsel  
Legal Division  
7 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
8 Phoenix, AZ 85007

9 Steven M. Olea, Director  
Utilities Division  
10 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
11 Phoenix, AZ 85007

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

**BRADSHAW WATER COMPANY**  
**STAFF RECOMMENDED PURCHASED WATER COST RECOVERY**  
**ADJUSTOR MECHANISM TARIFF**

APPLICABILITY

Applicable to all customers of Bradshaw Water Company.

BASE COST OF PURCHASED WATER

Base Cost of Purchased Water: \$5.36 per 1,000 gallons

SPECIAL CONDITIONS

1. Bradshaw Water Company ("Bradshaw") is authorized to make adjustments to its rates and charges to recover the cost incurred for changes in the per 1,000 gallonage charged by Prescott Valley Water District ("Prescott Valley").
2. The surcharge will be determined by subtracting \$5.36 from the average cost of purchased water (per 1,000 gallons) rate being charged by Prescott Valley for any year.<sup>1</sup>
3. The Company will make a filing with the Utilities Division of the Arizona Corporation Commission ("Staff") showing the calculation of the surcharge using the same methodology discussed herein on or before February 15<sup>th</sup>. Staff will review the filing by March 15<sup>th</sup>. If the filing is acceptable to Staff, the surcharge would be implemented by April 1<sup>st</sup>. A filing will be made even if there is no change to the surcharge.
4. Customers shall be notified of any change in the Prescott Valley gallonage charge within 30 days of the notice provided by Prescott Valley to Bradshaw.
5. The Purchased Water Cost Recovery Adjustor Mechanism Surcharge shall appear on each customer's bill as a separate charge.

DOCKET NO. W-02476A-10-0495

EFFECTIVE DATE – TO BE DETERMINED

<sup>1</sup> The average purchased water cost is calculated by dividing the total annual purchased water cost by the total water purchased (in thousands).

**BRADSHAW WATER COMPANY****PURCHASED WATER COST RECOVERY ADJUSTOR MECHANISM TARIFF**APPLICABILITY

Applicable to all customers of Bradshaw Water Company.

BASE COST OF PURCHASED WATER

Base Cost of Purchased Water: \$5.36 per 1,000 gallons

SPECIAL CONDITIONS

1. Bradshaw Water Company ("Bradshaw") is authorized to assess a Purchased Water Cost Recovery Adjustor Mechanism Surcharge ("Surcharge") to recover changes in the cost incurred per 1,000 gallons of water purchased from Prescott Valley Water District ("Prescott Valley").
2. The Surcharge shall be determined by subtracting \$5.36 from the average cost of purchased water (per 1,000 gallons) charged by Prescott Valley for the preceding calendar year, which shall be calculated by dividing Bradshaw's total annual purchased water cost by the total gallons of water purchased (in thousands).
3. On or before February 15 of each year, beginning with February 15, 2012, Bradshaw shall make a filing with the Utilities Division of the Arizona Corporation Commission ("Staff") showing Bradshaw's calculation of the Surcharge using the methodology discussed herein. Staff shall review the filing by March 15 of the year filed. If the filing is acceptable to Staff, the Surcharge shall be implemented by April 1 of the year filed. Bradshaw shall make a Surcharge calculation filing with Staff each year even if the Surcharge calculation reflects no change in the Surcharge.
4. Bradshaw shall notify its customers of any change in the Surcharge within 30 calendar days after making a Surcharge calculation filing with Staff that reflects a change in the Surcharge.
5. The Surcharge shall appear on each customer's bill as a separate charge.

EFFECTIVE DATE – TO BE DETERMINED